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101733Z Nov 05

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| INFO | LOG-00 | NP-00 | AID-00 | CEA-01 | CIAE-00 | CTME-00 | INL-00 |
| DODE-00 | DOTE-00 | PERC-00 | DS-00 | EB-00 | EUR-00 | EXIM-01 | |
| E-00 | FAAE-00 | VCI-00 | FRB-00 | H-00 | TEDE-00 | INR-00 | |
| ITC-01 | M-00 | AC-00 | VCIE-00 | NRC-00 | NSAE-00 | NSCE-00 | |
| OES-00 | OMB-00 | NIMA-00 | MCC-00 | GIWI-00 | ACE-00 | FMPG-00 | |
| SP-00 | SSO-00 | SS-00 | STR-00 | BHG-00 | EPAE-00 | IIP-00 | |
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FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC 2613
INFO AMEMBASSY ABUJA
AMEMBASSY DAKAR
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY NIAMEY
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C O N F I D E N T I A L NDJAMENA 001662

SIPDIS

LONDON AND PARIS FOR AFRICA WATCHERS, TREASURY FOR OTA,
ENERGY FOR GPSON AND CGAY

E.O. 12958: DECL: 10/11/2015

TAGS: CD ECON EFIN ENRG EPET PGOV

SUBJECT: PRIME MINISTER AND NATIONAL ASSEMBLY PRESIDENT ON
OIL LAW REVISIONS

REF: NDJAMENA

Classified By: Political/Economic Officer Kathleen FitzGibbon for reaso
ns 1.4 (b) and (d).

¶1. (C) Summary: Prime Minister Pascal Yoadimnadji and National Assembly President Nassour defended proposed revisions to the oil revenue management law in meetings with the Ambassador on November 10. Yoadimnadji said the Government has moved forward with the revisions and remains open to dialogue on the issue. The Ambassador assured Yoadimnadji and Nassour of the willingness of Chad's international partners to work to find a solution to Chad's revenue management problems, but urged them not to revise the law without the World Bank's concurrence. However, the Chadian Government had not yet received the World Bank-International Monetary Fund proposal. The proposed revisions were delivered to the National Assembly's majority leader on November 10, beginning the process of consideration at the legislature. End Summary.

PRIME MINISTER: SPIRIT OF LAW REMAINS

¶2. (C) On November 10, Prime Minister Pascal Yoadimnadji told Ambassador and P/E officer that Council of Ministers approved the proposed revisions for the oil revenue management law in an extraordinary session earlier in the week. The proposed revisions include eliminating the Future Generations Fund, increasing from 15 to 30 percent the funds directly deposited in the treasury, and changing the priority sectors to include security, territorial administration, and justice. New oil production would be covered by the existing revenue management system. Yoadimnadji expressed his concern that the critics of the revisions are focusing on the Future Generation Fund. He asked when does the future generation begin. He told the Ambassador that Chad's problems must be treated differently than Benin, Senegal, or Cameroon. Chad is a country coming out of years of civil war which has resulted in military weaknesses, poor state administration, and to some extent, corruption. The same remedy cannot necessarily fix the problems of different countries.

¶3. (C) According to Yoadimnadji, President Idriss Deby identified the establishment of security as the country's first priority, followed by good governance. The Prime Minister blamed theft of government resources and other corrupt practices on the prevailing insecurity, which has created a culture of impunity. Without security, Yoadimnadji argued, Chad cannot rectify its other problems. He also noted that as an example, the recent military mutiny in the east cost the Government a great deal of money and demonstrated the need to reorganize the presidential guard and the military and to implement the recommendations of the

military review. The Prime Minister stated that Chad also cannot accept being told not to revise the law without being offered concrete proposals to solve its situation.

14. (C) Ambassador Wall reiterated concerns that the revisions be made in concert with the World Bank. He reminded the Prime Minister that the oil revenue management law was an important symbol for many other countries and it enhances Chad's reputation abroad. He expressed concern that if Chad moves ahead with the revisions without agreement from the World Bank, there would be negative consequences for Chad's relations with its donors. The Ambassador stated that it is possible to pass the 2006 budget while dialogue on the revisions continue. He offered that the Government could make revisions to the budget during the year after consultations are concluded.

15. (C) Yoadimnadji agreed that the oil revenue management law revisions would not solve all of Chad's financial problems. However, he said that the international financial institutions had not been engaged on these issues until recently. Yoadimnadji added that Chad had been raising the idea of revising the law for the past eight months. He also described the international financial institutions' approach as that of accountants who are not equipped to discuss key issues of national priorities with a head of state. A

country's revenue management is not just a question of accounts. The Prime Minister had not yet received a joint World Bank-International Monetary Fund proposal for working together with Chad to resolve its financial woes. He said that the Vice President of the World Bank called him regarding the proposed revisions. As a result, Finance Minister Tolli is traveling to the U.S. on November 11 to continue discussion of the changes in Washington.

16. (C) The Prime Minister stated that the Chadian Government is open to discussing the issue. However, a moratorium on Chad's debt for a few years will not be enough to resolve the fundamental problems of security, administration, and justice. Several times during the meeting Yoadimnadji admitted that government resources had been misused or badly spent. He blamed this on years of disorganization and stated that the Government's current goodwill will help Chad exit the crisis.

17. (C) The Ambassador asked if the Prime Minister could wait for the joint World Bank-International Monetary Fund letter before moving forward with the revisions. Yoadimnadji said that the revisions were already on their way to the National Assembly. He stated that if the National Assembly chooses not to adopt them, then the proposed revisions will become just another project of the government that did not pass.

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NATIONAL ASSEMBLY PRESIDENT: SUPPORTIVE OF REVISIONS
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18. (C) Ambassador, DCM, and P/E officer discussed the proposed revisions with National Assembly President Nassour Ouaddai in a meeting earlier in the day. According to Nassour, the National Assembly is waiting for the proposed revisions to the oil revenue management law to arrive. He confirmed that the draft had been passed by the Council of Ministers but did not have any additional information on when it would be sent to the legislature. However, he said when it arrives, he will convene a conference which includes members of the Petroleum and Finance committees and the heads of the various parliamentary groupings to discuss the merits of the proposal. He showed the Ambassador the legislative calendar for the budgetary session which ends on January 2.

19. (C) Nassour expressed his support for the revision of the oil law. However, he did not discuss specific revisions proposed by the Government except for the utility of having a future generations fund. Instead, he focused on some of the issues surrounding the oil project, including calculation of the discount rates for Doba crude and the structure of the oil revenue management accounts, particularly the length of time it takes the deposits to be cleared for use. Throughout the conversation, Nassour defended Chad's right a sovereign country and the importance of its fundamental laws.

10. (C) The Ambassador emphasized the importance of considering the revisions in concert with the donors, particularly the World Bank. He pointed out that the implications of changing the law reach far beyond Chad because its oil revenue management system is considered a model for the rest of the world. The Ambassador also noted that Chad's international partners are not against revising the law, but believe any revisions should be made in consultation with key donors. While these consultations are being undertaken, the 2006 budget could be considered without the revisions. It could then be revised to reflect agreed-upon changes to the oil revenue management law.

¶11. (U) Later in the day, National Assembly staff told us the proposed revisions arrived at the National Assembly in the afternoon to the office of the majority ruling Movement for Patriotic Salvation (MPS). A copy has been e-mailed to AF/C.

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COMMENT
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¶12. (C) We expect the National Assembly to begin the process of considering the law, which includes consideration by the ruling party, the President of the National Assembly, and key

committee and party leaders. It will then be put it on the legislative calendar. The Government claims to be open to discuss the issue, but the process continues to move forward while waiting for a formal proposal by the World Bank and International Monetary Fund.

WALL

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